

# Housing and Planning Committee Meeting Transcript – 03/27/2018

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>> Casar: Good morning, everyone. We've got everybody here so we're going to get moving. I'm Greg Casar and I am here with vice-chair alter and committee members Pio Renteria and Jimmy Flannigan. I'm calling this meeting of the housing and planning committee to order. It's 10:04 A.M. And we're in the boards and commissions room at city hall. The first item is approval of the minutes from the January 23rd meeting. Is there a motion to do that? Moved by councilmember Flannigan, seconded by the vice-chair. All in favor say aye? Item 1 passes unanimously. So this is how I think we're going to try to run the day. We only have two items on the agenda, so I'm determined to get us out of here by 11:30. We shouldn't spend an hour half -- more than an hour and a half on two items. And councilmember Renteria has to leave right around 10:30 so we'll try to get the bond item done in the first 30 or 45 minutes of the meeting and then have the codenext briefing. The codenext briefing I think we're going to be joined by some of our colleagues so that we didn't have to have a separate codenext briefing on density bonuses separate from this committee meeting. So we will try to get the first item done in 30, 45 minutes and move on. Right before we get to the bonds item, which is item 4, we have citizens communication. If anybody wishes to speak on an item not on the agenda, other than codenext or other on the bond, come on up, other than we'll move straight into the bond. Mr. Pena. Good morning. You've got three minutes. >> Good morning to you all. I keep on forgetting. My name is Gus Pena.

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I grew up on east fifth street in between fifth street and pedernales. I wish we could get manchaca out, Guadalupe, manchaca. It's supposed to have been mencha ca as Bob Perkins states. We're going to get that fixed. It is incumbent upon the city council and the commissioners' court and the legislature to get housing fixed. You still don't get it, you city councilmembers, and I hope I'm talking to the city manager, I still say you all on the city council should reach out to Richard Halpin, who is truly an expert on affordable housing. Way before Walter morrow and the rest of the good people came about about the

affordable housing projects. Seek his advice. But I don't know if he wants to -- is valuable or still working all these years or just retiring. I also state since Bruce Todd's administration we need transitional housing to transition homeless people out of homelessness with wraparound services. That is the verbiage I started back in 1991 when Bruce Todd was mayor. And started doing that. Unfortunately, it went down into a cave, cavern, whatever. Wraparound services are very much needed to ensure the clients can maintain housing and stay housed, but also health care services because a lot of the people that are on the streets have mental health issues and we're seeing it grow even among the children of the women who are homeless. It doesn't help when our mayor states inaccurately that there are no more homeless veterans in Austin, Texas. It is a big lie and inaccurate and I will call him on the carpet again. I don't care how many times it takes, until people get it through their heads that there are homeless veterans in Austin, Texas. We're losing the have secretary, which I'm oo the va secretary which I'm glad

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because he invited us to Washington, D.C. But some issues cropped up when he went overseas. So bye. We will get a good secretary of veterans affairs to help us veterans. Remember, us veterans fought for our country and other people's countries. We were wounded, hurting, still have mental health issues. I have bad nightmares still and some of them didn't even go. They didn't even register for the draft. I did. My older brother wouldn't have to go because my dad died and mom didn't have anybody, so my older brother stayed. Anyway, members, thank you very much. I've been saying this for a long time because we need to do a better job on housing the homeless. Not just the veterans, but single women and children who are homeless. Councilmember Flannigan, I thank you for your good comments a couple of times before at the city council meetings and it makes me cry because we still need help for the homeless. Thank you. >> Casar: Thank you. So we'll move on to item number 4, briefing on the 2018 potential housing bond. We're going to hear from Rachel stone, who is from the working group of the bond's task force on housing. I think that the staff preferred that we actually hear from the task force rather than this being a staff report since it was a citizens task force, and then we'll hear from the public next. Thanks for joining us. >> Hi, good morning. Thanks for having me. My name is Rachel stone. I was the chair of the affordable housing working group for the bond election advisory task force committee. [Buzzer sounds] [Laughter] My time's up. Thank you! [Laughter]. We have just some slides,. Overview of our recommendation. We put together this recommendation after meeting with neighborhood housing and lots of people from the community and all of the different affordable housing providers in town. We were focused on a lack of affordability all over town,

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especially west of 35. We were thinking about the 48,000 unit gap for people making 30% median family income or less. This is a \$6.48 billion need need. And we heard that it would nearly double by -- by 2025. So we are interested in ways to work now instead of kicking the can down the road to deal with this

when it's double the problem in 2025. And we were also taking into consideration the tax reform that occurred with the new tax bill that is going to reduce the availability of low income housing tax credits that we rely on to get a lot of these affordable units on the ground. So our recommendation was to allocate 75 million to the rental housing development assistance projects. That's our main way of getting the multi-family rental housing units on the ground. That's the rental housing subsidies, permanent supportive housing. We recommended 18 million for acquisition and development home ownership program to address affordability for home ownership for low to moderate income families, and that includes investment in the community land trust. We recommended 50 million for real estate acquisition and this would be a new program that would allow the Austin housing finance corporation to purchase land as it becomes available all over town to make it available for affordable housing. We wanted to think about properties that are coming up for sale. You've heard it a million times, but we didn't want a repeat of the grove where we didn't have the money to purchase land that would have been a really great opportunity to build affordable housing. So the task force really felt like this program would create the ability to purchase land in areas that

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really we can now, so getting that housing affordability west of 35, purchasing properties that aid or the state puts up for sale in areas that some of the affordable housing developers in town would not be able to afford the land price if it were just made available to the public. Then we had 18 million for the home repair program. This prepares to low and moderate income homeowners and we saw this as really keeping our elderly homeowners in place and others who have critical needs that are forcing them to leave their homes because they can no longer stay in them. On the next slide we have some of the impacts. This would serve 200 households per year in the go repair program, which is an increase. It would allow us to acquire strategic properties, it would allocate 3.6 million for housing to be occupied by low to moderate income households. And then we have that 75 million for rental housing assistance. And finally on the last page we had a couple of policy recommendations. The real estate acquisition program as of now says that the money would go towards community benefits, including affordable housing. And our group wanted to see that language tightened up to say that it would go towards affordable housing. Obviously community benefits like parks and other provisions for the affordable housing can be included in that, but we want to see the land really being set aside for use for affordable housing. We also recommended that the land after it's purchased should be zoned public to allow for maximum use to make the most of the affordable housing that can be put there. And another thing the group talked about was for this land acquisition bucket that the median -- it should be able to serve up to 120% median family income, which we've heard the department is able to do, just to

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expand some of the affordability options for some of that missing middle housing and people that are still struggling in the city for home ownership options just to make it a bond that a lot of people can

access and it's not -- we want to see affordability increase all over town for all kinds of people. So that was one of our recommendations. I'm happy to answer questions. >> Casar: Any questions for Ms. Stone now and then we'll also have citizens speak and we can call her and the staff up after the citizens speak as well. If you have any additional questions we can ask them now. Councilmember Flannigan and then vice-chair alter. >> Flannigan: When you were developing these dollar figures were you given estimated unit counts for -- I'm curious to know if you were given what we think each impact of what the 75 million will do, what the 18 million will do? Are they relatively equal in their kind of return on investment? >> Well, so in the 2013 housing bonds, the -- the return on investment was seven to one from leverage gained from the tax credits, other philanthropic dollars, everything that goes into these housing deals. The -- we weren't looking individually at which program. I mean, obviously building the rental housing, which brings in a lot of outside money, the money goes very far, all these programs are creating jobs and creating other economic benefits. We were given estimates on what the programs have done in the past, so we were able to look at the 2013 and the 2006 bonds and see what they produced and so of pull that forward to what we thought could be applied to these packages. So the initial staff recommendation was 85 million and when we were looking at the 55 million and 65 from 2006 in 2013 and thinking about what that was going to do for us over the next five years, we just didn't really think that would be enough. So that's where the increase came from. We felt like the 85 million

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was kind of keeping up with status quo and status quo is not making it done in our current issue. So we have the 200 households for the go repair, the 3.6 for housing to be owned and operated. We had the numbers of what -- they're not in here, but we had the numbers when we were going over it. >> Flannigan: Thank you. >> Casar: Councilmember alter. >> Alter: First of all, thank you for serving on this on task force. I know you guys put a lot of work into it. I wanted to ask for some clarification on the rental housing development assistance projects. I think there's a lot of confusion in the community and some of the wording here I think contributes to that. People seem to be confused that we are providing subsidies for rental housing. My understanding is this is building the housing that would then be rented and you can't do that if you don't build the housing. But there's some confusion from the label, so I wanted to hear from you what you thought that meant and then maybe later staff can speak to that. And if I'm correct in my understanding then I think we need to be working a little bit on the semantics as we move forward with this because people are concerned about us spending capital dollars on rental subsidies as opposed to building the housing, which would be a capital expense. >> Sure. I think the money that's coming in -- a lot of the projects it will be a 17-million-dollar project and it's getting two, three million from this program and the rest are coming from tax credits or other programs that the affordable housing developers are leveraging. It's true in a sense it is a subsidy to the project because it is reducing the price of the project, but it's not a on housing voucher that's going to each individual person that is living there. It's reducing the total cost of the project in order for it to be built. And then it has restrictions on how long the project has to stay affordable at certain rental rates.

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So I think -- I can see that confusion and maybe we -- it's really just a cost -- a way positive infuse money into these projects so that they can get their development costs and help purchase the land. It's really just part of the development price. >> Alter: And I'm understanding, unless staff has a different perspective that they want to share. I don't know if -- >> Mandy de mayo, neighborhood housing and community development. I think Rachel hit the nail on the head that these are really dollars that are closing the gap to make these projects a reality. They're not tenant-based rental dissense. It's not something portable that can go project to project. It sits within the project and it's secured by a land use restriction agreement that secures the affordability for the long-term. In the case of rental to work on our phrasing of the titles of these programs because they're a little bit wordy. That is secured with the Lura that has affordability for a minimum of 40 years. >> Alter: So just moving forward, if this is a piece of the honored as the council puts -- bond as the council puts forward, we need to be careful about how we're phrasing that and how we're explaining that because I have heard from lots of people who are concerned that we are going to provide rental, tenant based subsidies through the bond. And that's not what we're doing. It is a capital based, so I think that that clarity needs to be there moving forward because we don't want people voting against us because we don't think it's a capital expense that's worth investing in. >> Absolutely. All of these dollars are sticks and bricks or acquisition. >> And that was something the task force was really concerned about. We didn't alter program language. These are just summaries in these buckets, but the working group did have a lot of concern about how the language is listed on the bond. So I think we would want it to be very carefully spelled

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out exactly what the bond is going towards, and that it's not -- this isn't just one group of people that is going to be benefiting from it. We really were trying to get at something that would get at affordability all over the city. >> Alter: But the rental housing development assistance is about half of the bucket so we need to be especially clear that we're communicating with that. >> Casar: Members, is it okay if we call the citizens up and see if there's any questions after that? Great. So first signed up to speak is cash wazowaskz. >> Good morning, councilmembers. >> Okay. >> I have a presentation. >> Casar: Do we have the buzzer working or do you need me to keep track of time. >> It was working. >> Casar: Great. You have three minutes. >> Thank you, councilmembers, for allowing me to speak. I'm with aura, district 10 resident as well. Today we're here to call on the council to put on the ballot as big a possible bond as possible, so 300 million is what we're going to be asking for. So just to start off, we're in this on our own. So you see up there the federal and the state government, they're not going to come and help us with this issue any time soon. So we need to focus on what we can do with our local action. We don't have enough housing in the city full stop. This year Austin council and the voters have the opportunity to make measurable progress towards abundant housing supply. And that can be a two-part process for more housing supply. Market rate housing, so codenext, massive up zoning near schools, jobs, transit and other amenities, as well as public housing. So a massive housing bond to have housing targeted at those that the market is unable to provide housing to. So both. So this is from the strategic blueprint. We want to build as much public housing as we can,

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especially low income. Codenext predictions might or might not be accurate, but a housing bond means we'll definitely spend that amount. Most of our subsidized need is for zero percent mfi to 60%, but we're doing very little of this to meet that need. So public housing can do that. So why public housing? Publicly owned homes let Austin target the current need. If today's needs is for 60%, then this gives us flexibility to target even lower needs if need be. So biomedical line of that is public housing is -- bottom line of that is public housing is apelike good. So what makes a good affordable housing bond. It leverages private money to maximize the production of housing, builds community support for new housing supply, it can be targeted to reduce occupancy rate to help all austinites and increases housing primarily in high opportunity areas, not the suburbs. So why not more? So we're calling on y'all to put 300 on the ballot because la is four times the size and they passed a \$1.2 billion bond. Honestly pitch this bond size to the voters and trust them to make the right decision. As we see what's happening nationwide, voters are increasingly turning out and they're motivated to do programs like this in the current climate. So we thank -- there's voter sentiment that would be able to support 300 million. So there's different ways you can maximize new public housing. Buy land, waive zoning requirements that impact the production of homes, issue an rfp, lease for one dollar a year to the project. That's just some of the ideas that we have. So in summary, I'll finish on a point my friend Dan recently made. Our limited housing supply is excluding people. Let's take a step towards inclusively bypassing the largest housing bond we can. Let's make an Austin for everyone. Thank you.

[10:25:06 AM]

>> Good morning, council. My name is mackinacbar. I'm with the Austin democratic socialists and I live in district 1. We also endorse the 300 million housing bond. I think there are a lot of good points and the last one, Portland passed 258 million. I think we can pass the 350 million. I know there's some risk that it won't pass, but I know in the activist community there's a lot of enthusiasm around affordable housing. We all know people who have been priced out of the city. There's a lot of anxiety around rents and housing prices. I think there's a lot of grass root support. There will be a lot of knocking on doors and mobilizing of the bond in November. I ask that you do as big a bond as possible. Hopefully 300 million and a lot of people will do a lot of work to pass it. Thank you. >> Casar: Thank you. Next is [indiscernible] Stephenson and Walter morrow are if you want to come up, Walter. >> My name is Josiah seven son, I'm on the board of friends of Austin neighborhoods. We strive to be an inclusive voice for welcoming neighborhoods all over the city we'll been saying for awhile that we need all kinds of housing for all kinds of people in all of our neighborhoods. So that they can be accessible to all. That includes all of the housing that the market can build on its own with few restrictions. It includes as many units as the best calibrated density bonus program can put on the ground. That includes as much lhtc et cetera as we can get. And I believe it includes public city finance housing for low income families. I don't think that the task force recommendation goes far enough. Our membership is voting on a resolution to support a

300-million-dollar at the minimum bond for affordable housing in 2018. So just to be clear, I hope and expect to be able to tell you in a couple of weeks that Austin neighborhoods voted overwhelmingly to support that, but right now speaking as an individual board member trying to lead in that direction. I think we should focus the

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bond spending on things that directly increase the number of units, housing units on the ground. Especially in high opportunity areas. Primarily acquiring land that doesn't have multi-family housing on it already. And ideally it isn't even entitled for multi-family housing and building as much housing as possible to house as many low income families as we can. Thank you. >> Casar: Thank you. Mr. Morrow, you're up and has Moore is our last -- Chaz Moore is our last speaker. >> First I want to say thank you. We've been able to use the housing bonds to grow and we served about a thousand more residents just in the last few years. We couldn't do that without the 2013 housing bonds. Unfortunately those bonds are spent. I think there's some bond budget, but if we don't make it back to the voters in November, our programs and a lot of programs are just going to stop. What I think is really powerful about these bonds is the leverage. We just opened and welcomed home families at cardinal point in councilmember Flannigan's district. I think we have about two million dollars in housing bonds, about 10% of that project. So those bonds leveraged the other \$18 million. We're getting ready to break ground at Mueller to build a family community there. The bonds represent about 15%, only about 15% of that project to make it possible. What's really compelling about a big bond issue at this time is the four percent credits. They're not competitive so on the nine percent side Austin can only get about three projects a year, \$45 million in funding. These four percent credits are not really that competitive statewide. They're just challenging to use because they are only worth half as much so they have a bigger gap. We're looking at land right

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now, some real strategic sites that are adjacent or near some of our existing communities where we could hopefully on two or three new sites expand to serve 500 more families. Every one of those projects, though, is going to have a four, five, six-million-dollar gap. We can fundraise part of that, but we really would look to the housing bonds to be the leverage that brings the rest of the funding together. So I'm excited that we have such great community support, recognition of affordable housing has a huge need, a great track record from 2006 to 2013 to point to. And really hope that you will be as supportive as you can for additional housing bonds. Thank you. >> Thank you. Chaz Moore is next. If you saw some people come in, if you want to speak on this item and didn't have a chance to sign up, that's okay. Just come take a chair and we'll take testimony. >> I won't be long at all. Just here to support the bond. At the rate of 300 million. I wish we could do more than that. I don't know how the politics work. I'm here to at least support that amount. After ajc left evolve Austin and looking at dsa's recommendations for housing we just feel that this is the best way to help not only the community here,

but also the low income community. So 300 million or bust is what we are here to support. So that's all I have. >> Casar: All right. Anybody else? Okay. We'll call Ms. Stone and the staff back up if there's any more questions for them. I think there might have been some more questions so you guys come on up. Councilmember kitchen? >> Kitchen: I have a question for -- I think it's for staff or maybe for you.

[10:31:08 AM]

In the first category that we've been talking about, the housing development assistance projects, will that include the type of projects that we've talked about we need for housing the homeless that are related more towards the temporary kinds of shelters, the transition types of places. I see permanent supportive housing on here, but would this category cover that kind of housing. >> Mandy de mayo, community housing and neighborhood development. Right now the rhda program, which we are looking at rebranding to make it more representative of what it does, as well as a and D, which is home ownership, does fund rental housing are, which could include permanent supportive housing. Right now it's more on permanent supportive housing more than transition AI and that is because it is hud's priority. So I see Ann Howard here with our continuum of care, echo, ending community homeless coalition and she can tell you better than anyone that hud's priority for all of the continuum of cares across the country really is to refocus on permanent supportive housing rather than transitional housing. So I'm sorry, I would also mention that the housing first oak springs, our first housing first project that has broken ground, 50 units of permanent supportive housing, was partially funded through rhda. >> Kitchen: Okay. I don't have an opinion at this point. I'm not suggesting that it needs to. I would just want to make sure because this -- when we're talking about bonds this is our housing bucket and I would want to make sure that we had categories that could meet some of the needs that we're experiencing for people that are experiencing homelessness. And so I wouldn't want -- so I would defer to you guys as the experts and to echo and to others to understand -- I just don't want there to be

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a gap between getting someone into some kind of housing tomorrow as opposed to a more permanent arrangement in a longer period of time. Because otherwise we're going to have a hard time getting people through the continuum. >> Just so you know right now we are through the rhda and the [indiscernible]. We are looking at guidelines and our scoring direction per direction council and something we've been meaning to do for quite awhile. And one of the things we're looking at and echo has been intimately involved is how we incentivize and incorporate permanent supportive housing into as many of our developments as possible. And transitional housing I should say isn't allowable under rhda. It is allowable, but we haven't seen transitional projects come through the process in recent years. And one of those reasons is really the way hud is prioritizing housing for the homeless. >> Kitchen: Okay. We can have more conversation. I just want to make sure we as a city with our bond money include some portion of bond money that works for the needs of housing the homeless. >> Absolutely. >> Casar: Councilmember Renteria. >> Renteria: I want to welcome y'all here, but really I'm excited about this.



You have my total support for the 300 if not more. Growing up here in Austin, and seeing what the prices are going for is -- is we're forcing people out and it's really causing a major problem here in Austin, especially on transportation. And when we're getting 55 people a day coming into Austin, we really need to start focusing on building more affordable units. Unfortunately I'm going to

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have to leave. I have a doctor appointment that I have to meet. But I just want to let people know that I do support the housing bonds and also I want to make an announcement that we are having our housing summit April 2nd through the 5th at the convention center. All are welcome. Please go on line and check. I believe they're already posted -- they've already posted the schedule. Take a look at it. There are going to be some exciting speakers, exhibit, work session, so all is well. >> Casar: Thank you, councilmember. And I think to your point, I had my staff pull up information on the last seven bond elections. Six bonds passed on transportation for almost \$1.3 billion. Four passed on open space and parks for almost \$400 million, but affordable housing we've only had two of them at \$120 million total, which is about a 10th of what we've passed in transportation and significantly less than we've passed in, say, facilities and storm water and open space. So I think that clearly with the diminishing value of tax credits because of what the federal government is doing, the increasing unaffordability that we have in Austin, us doing something really significant on affordable housing this year would be really important. I appreciated the slide. I actually scribbled down notes here on how much other cities are doing. LA doing 1.2 billion is really impressive. I think we're about a fourth the size, so that gets you to around the 300 million number. Around Portland doing almost 300 million, although they're a smaller city than us. I appreciate the task force pushing to the place that you are at. Given the needs for housing for homeless folks all the way up to moderate income austinians I think that I would be really interested

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in having a conversation with the community and with my colleagues about going for a larger number and figuring out how we can make that happen. Thank y'all for your work. >> Can I make one clarification? With the different recommendations that we made, the 75 million versus the 18, the department has assured us that those are just recommendations in terms of how they budget, but it's not only -- if something happens that more money needs to be spent in a different area, there is fluidity within the department for them to make those kinds of choices. So if -- if priorities shift and there's -- that has happened in the past that departments -- the different programs moved money around. So it's not -- >> Casar: What you're saying is that's how other bond programs have been operated is we pass a big number and we have in pencil sort of how that might be broken out, but ultimately it can be moved. >> That would change if there was more structure put in the ballot language. If you bracketed off with dollar amounts in the ballot language that would limit us in our ability -- >> Casar: If we decide to do that. >> But the past affordable housing bonds have just been the big number. >> And also the community input that we received, Karla and Katie have it, you can see where housing was sort of

ranked in terms of importance. So it's interesting to look at. >> Casar: I'm going to try to keep us on schedule, which would mean about five more minutes. So we'll take a couple more questions. Councilmember alter, then councilmember kitchen. >> Alter: Thank you. Maybe this is a question for our staff. Are we thinking of the bonds as separate pieces so we would have an affordable housing bond, we would have the facilities investment, or are we thinking of it as one large bond? >> So for the housing piece we would be looking at it as one large bond. We wouldn't be -- we would recommend keeping it consistent with how we've done them in the past where

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we haven't bracketed them off within the housing component. But there would be, I believe, separate ballots for housing versus cultural facilities versus -- >> Casar: I think before we get too far into that, I think a lot of that is bond counsel questions that we might want to take in executive session at some point because I know there are strict rules about how we put those things together, but also some potential opportunities. So I wouldn't want to foreclose on that before we have a chance to talk to the attorneys. >> Correct, Karla Stephan with the bond development team. We will certainly have conversations with you between now and September when you're setting the ballot language in terms of what's possible. The city won't be able to do something like aisd did where there's just \$850 million of a single bond. There will be multiple propositions and we can talk with you in conjunction with bond counsel in terms of what makes sense and what's allowable. >> Casar: Those are always fun conversations. >> Alter: With respect to homelessness, I'm just wondering, you know, another way to go is to have a proposition that's just about homelessness, not -- not as instead of this, but as a standalone for really targeting some particular needs. Besides permanent supportive housing, what would be the -- what kinds of things would be allowed to investment in with -- to address the homelessness problem. >> >> I would have to think about that. I think offhand you could look at things like facilities, for sure, but beyond that we would want to probably get back to the committee here on that question. >> Councilmember kitchen. >> Kitchen: If there's time. I can ask later. >> Casar: You've still got four minutes. [Laughter]. >> Kitchen: My question was just if -- you guys

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might not have talked about this on the bond committee, but I'm curious if you talked about the 300 million or if any of the folks in the community are thinking about the 300 million in context of the total bond package. If you haven't, that's fine. Just curious if y'all were thinking our total should be X and we think 300 million will work? >> We didn't think about it in the context of the total bond. Our -- sort of had a minimum floor of what we thought should go towards housing. But we did hear quite a bit from community asking for 300 million. My sense from the working group is at that time we didn't have any polling data from the public so we weren't clear on and I tried to steer the group away from making decisions based on what we thought voters would pass. But that did start to come up. Our number is sort of fear base and I think not accurate to whatever the -- the polling numbers that we've seen. We

didn't have that data when we closed out our recommendations. >> Kitchen: Okay. Thank you. >> I will add one more consideration that staff and the departments brought to the task force is what is the capacity for spending. So this is a five-year bond program and so if there's a need, but no capacity within the programs or even the ability to build up capacity to spend that, it doesn't make sense necessarily to tie our hands to a bond consideration knowing that money can or can't be spent. >> Casar: So Ms. Truelove, is there generally the ability if just like under the corridor plans to make sure that you had staff that could manage the projects, if you had the staffing capability, would you as was just brought up, would you have the ability to -- is there enough capacity that if you had 200 or 300 million that you could actually execute? >> So I worked closely with the work with Rachel's working group over August to recent time frame and we looked at a variety of

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different scenarios. And one thing I was clear with them from a capacity perfect was that -- capacity perspective is while our need is huge, if you handed me a bucket of cash, a billion dollars, I could probably not deploy that within those five -- five million years. Five years. Not five million. I could deploy it within five million years, not within five years. And so what we did is we looked at our existing capacity, and as Walter morrow mentioned, from a tax credit perspective, we're confined from the nine percent tax credits, they're competitive. We're only going to get three a year. So even though I would love to do thousands of units a year of the tax credits, we're only get three percent. So it was a mixture of conversations going back and forth looking at a variety of different scenarios, all constrained by staff capacity. >> Casar: And just like with transportation that was the sense when we first started the conversation about having a bigger transportation bond and then we thought creatively about how that could be deployed. So thinking if it could go to 250 or 300, we would want to make sure that there is a plan for how that con managed. On the strategic housing blueprint as you know there's that 45,000 unit gap where we say we don't have a plan for how to do this so we have to at some point start figuring out what the plan is. >> I think there would be a need for us to staff up a little bit just to increase our internal capacity to process different things. I think we know that we're not -- even with our existing bond policeman we're not able to fund the full gaps and we have to see those spread between multiple years with trying to help our development community, you know, produce their affordable units. So I think there's certainly more need out there than we've been able to meet. And then when you think about the fact that a portion of the funding here

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is for acquisition of potential future properties that we would be able to put out for development, then it's not all strictly speaking rental housing developer assistance. So I think there's some room for us to be able to deploy more money than we have been and we would have to think about what that would look like if we went a 2 or 3-million-dollar scenario. >> Casar: If there's any last comment we can squeeze it in. >> The task force will be receiving the task force, if not already, today. It's being posted on the

website and the task force will be in front of you, planned on April 10th to deliver that entire recommendation from the task force. >> Casar: Great. Thank you. Councilmember alter. >> Alter: I was just wondering if you can tell us when we will have the opportunity to speak with the bond counsel about particular directions? >> So on April 10th, we'll be starting the conversation with what does council want in terms of some next steps and paths forward between then and August 9th is when you would be setting the ballot language. So we will be bringing forward different calendars and scenarios of what meetings you want and when you want the timing of those. >> Alter: Thank you. >> Casar: Okay. So next we will move to item number 3, which is a briefing on codenext draft 3 density bonus program and smart housing program. This was supposed to be a briefing, it says briefing, which means there usually isn't citizens communication, but because it was posted in the discussion and possible action section, I've been told that if anybody wants to talk, they're allowed to. So if anybody wants to speak on this item, you're allowed to because of the way we put it on the agenda. So come on up. >> I guess I got lucky the

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way you posted it. My name is Brendan griffin. I work with Texas apple seed. Among other things we're a public interest justice center. Among other things we work on fair housing issues and housing discrimination. Looking -- we have not had a deep analysis of version 3 of the density bonus program, although we are looking carefully at it. But a couple of things we really wanted to flag for city council early on that are real problems are that fair housing speak for areas where there's good schools, good jobs, access to public transit, are being left out completely of any density bonus program. And it's a problem from our perspective to see that areas are being left out this way. So for example, all the areas labeled f-25 that are still under the former code, and this includes stuff like the Hyde park nccd, the one in Travis heights and the one in north university, don't have any density bonuses applied to them. Several of them have areas of multi-family units too. So this is an area where I think staff's decision to leave out significant areas of the city from having any affordable housing obligations or possibilities even is a problem from our perspective. And has led to complaints to hud and in some cases lawsuits. So this is -- these are serious issues and we think that the city council should be looking at these very carefully. There's also just in general opportunities to put more of these density bonuses and apply them to more areas

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because many of the areas right now where they're newly applied look to us to be low opportunity areas that have less access to jobs, schools, things like that. If there is -- we are still running that analysis so this is not -- we want to flag it for city council that putting all your affordable housing possibilities in areas where there's no -- not really good access to these things is also a serious problem from a fair housing perspective. And fair housing act perspective. So thank you. >> Casar: Thank you. Mr. John Garrett, it looks like somebody has donated time to you so you've got five minutes. >> I don't think I

need it. Thanks. Hi. My name is John Gary, a with a 501(c)3 with equitable policies throughout the state. If I understand the presentation correctly, the affordable housing bonus program has a capacity of 473 affordable units over the next 10 years. That's capacity. The rule of thumb is that it's less than half. It doesn't support the strategic housing blueprint as far as it could: 60,000 for under 80%. Building off of the affordable housing bond discussion earlier, we're in a housing crisis. We have a six billion dollar need that's expected to double by 2025. And thus I think we really need to align all efforts around affordability to be as strong as possible. So code, affordable housing bonds and so on, they need to provide as much relief as possible. The affordable housing bonus program is only for 4 a, quad, four-plexes and above. The majority of the city isn't in the program. I would like to suggest

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expanding the areas of the affordable housing program for areas of entitlement and I also urge you to consider other significant aspects of affordable. That is affordable housing, concentrated around high quality transit, goes that much further in making life in Austin truly affordable and accessible, right in line with imagine Austin principles. That's all I've got. Thanks. >> Casar: Thank you. Is there anybody else that wanted to speak on this before we move forward? >> Can I add? >> I think that if your time was donated, then we can't let that happen. Sorry about that. Okay. Anybody else? Then we will call up the staff to make their presentation. Come on up, y'all. And there are a few stopping points inside the presentation for questions about every four or five pages,, so I'll just stop us at those places in case there's questions. Right before you start, just a notice to people in the building that there's the codenext presentation going on. I think some councilmembers might come down, and I know that their staffs are watching. >> Great. Excuse me. Good morning. My name is Erica leak, I'm with neighborhood housing and community development. And this morning we're going to try and fly through a briefing on the affordable housing bonus program as well as the planning commission work group levers. And in addition some information about smart housing updates. And so we'd be happy for you to guide the discussion. You know, you let us know how much time you want to spend on those things. And if you want to skip to one before the other, we can certainly do that. >> Casar: I think that the only -- if we could focus on the affordable housing components when we get to the the levers, if we have time to talk about anything else, that's within posting, we can, but let's just stick to -- since we're posted for affordable housing, let's just stick to that.

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>> Okay. So we might switch -- >> Casar: I think when we get to the levers let's just run through just the affordable housing levers. >> Okay. That sounds great. So in terms of this presentation, as I mentioned, we're going to cover those three main topics. We also have a few slides in there related to a comparison between vertical mixed use and the dash a under codenext because there have been a number of questions about that. We did want to point out that the affordable housing bonus program does specifically implement four out of the 65 recommendations within the strategic housing blueprint

related to affordable housing, but it also supports many of the other actions. It's hard to get affordable housing in all parts of town if you don't have the zoning that supports that. And obviously having a bonus program can actually be doubly effective if affordable housing developers are able to take advantage of that. In terms of policy objectives, these are various issues that we've been discussing with consultants in terms of best practices with the community, in terms of community goals and also in terms of what generally works best in terms of trying to incentivize affordable units. So the policy targets is to have the rental units be affordable as 60% of the median family income for 40 years. Ownership units at 80% of the median family income for 99 years. There's also the goal to incentivize on-site units whenever it's possible.

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Also to calibrate the Zones, and that's actually what we'll be talking a lot about today is how do we ensure the Zones are calibrated in such a way that people will actually want to participate. Because if people decide not to participate, we won't end up with the affordable units that we're hoping for. There is an option to incentivize two and three bedroom units because that's obviously been something that has been discussed as a need in the community. There are also options that allow a developer to participate if they are not able to do on-site units. And this would require additional review, but that includes such things as potentially a fee-in-lieu, donating land and a couple of other things. We could talk about those more. There's a requirement for developers to have unit dispersion throughout the development so they can't be clustered. Affirmative marketing it to make sure we're reaching out. So that note I did want to announce that we just have a new website live that has a listing of all of the incentivized and subsidized units on our website. And I can send you guys a link, but it's [Austin.austintexas.gov/affordablehousinglistings](http://Austin.austintexas.gov/affordablehousinglistings) I think is what the website ended up being. But it has a map and a list of the incentivized and subsidized units. So we'll be able to continue to update that as we get more units. We have program rules to make sure that it's very clear how the program is implemented. And then as we've been

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talking about, there will be land use restrictions. We now have a successful monitoring program in place and reporting mechanisms for these units. In terms of the role of the density bonus programs in providing income-restricted units to help meet the blueprint goals, we estimated that with our current density bonus programs we would achieve maybe 1500 units, affordable units. And then basically the top darker green bar is the number of other units that we need to figure out a way how to create. So having an expanded bonus program is how we'll be able to get closer to meeting that goal. So I'm going to turn it over to Ann article ton -- Ann Carlton to take us from here. >> Sure. [Laughter]. >> One of >> One of the things that our analysis does in looking at draft 3 and the equivalence and everything else is to really -- we're looking at capacity, not a forecast, and there's a question, how does the capacity need to be relative to the forecast. If the capacity is less than the forecast, you're going to get scarcity, and

that's going to have an impact on prices. So the best practices that we've seen and one that's used largely is to have about double the capacity, at least, of your forecast, especially you guys are running with a ten-year forecast. Typically, you want 20 to 25 years forecast and keep that up-to-date so the market doesn't feel constrained and that you have basically competition and price increases in housing.

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So we're looking at making sure capacity is ample, not exactly what the forecast is. And these are the capacity estimates. I think here we can -- I can start sending it back to you, but basically, current code is about 141,000 units. If your capacity is at least 135,000 units, clearly you want about 270,000 to be double that. Your current code, as well as draft two, were shy of that. Draft three gives you about 200,000 unit capacity, and then there's a much greater bonus unit capacity that comes with that, about 87,000. The affordable housing unit capacity comes in at about 6,000, so a total of about 287,000 units capacity. Ian, do you want to talk about the bonus? >> Casar: Before you flip the slide, I think this is a good place in case anybody had any questions up to this point. On this slide or anything before it. >> Alter: So the last line goes down, that can you explain that? >> I apologize, the computer over here is adjusting the slides a bit. The bottom line with the blue text is what you're referring to? >> Alter: Yeah, the current program from existing programs is 1500, then drafts 2 and 3 are 1200. Is that because other bonus programs will be put on top of those? >> Correct. Some bonus programs continues, that represents the 1200, and others will be folded into -- codenext will be essentially rezoned into the new bonus program. So you're in some cases replacing that 300-you're-you're not difference with the large number two rows up. >> Casar: So it's not a

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bottom line in the way you usually think of a bottom line adding things up. >> It's a very distinct line in that this is what's continuing outside of codenext, essentially. >> Alter: So is that number for draft three, should be 6,000 plus 1200, or is the 1200 part of the 6,000? >> It would be 6,000 plus 1200, to 7200. >> Casar: I think in future iterations of this, since people read charts that add up things, since some of these add, I think it would be helpful for the actual bottom line number to say how many affordable housing units are we anticipating that we could get in each of these scenarios, I think adding those would be helpful because it does -- I think you look at something like this, you look at the bottom and then you say, well, why are there 300 less affordable housing units, and draft three, why did you bring us something that reduces affordable housing, when indeed what you're saying is, the staff's recommendation of draft three goes from 1500 units to 7200. >> Correct. >> Casar: Okay. Councilmember kitchen. >> Kitchen: Just a quick question. I think I understand the difference between capacity and forecast. It might be worthwhile just repeating that for the public. Capacity basically, if I'm understanding correctly, is how much you could build, and forecast is how much you're likely to build? Is that the right way to think of it? >> Exactly. Exactly. Capacity is kind of the glass forecast. >> Kitchen: Okay. >> Forecast is the water in the glass. So it's the size, it's the potential for all development, given

zoning and land characteristics. Forecast is kind of separate from capacity. You're forecasting demand and growth and things like that. >> Kitchen: All the factors that go into the decision about whether something will be built. >> Yes. >> Kitchen: Okay. >> Casar: Except, if you go back to the next slide, except housing capacity and forecast are about half when you're talking about market rate units, but then when you're talking about the affordable units, you're saying that's maybe a little

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less than a tenth, because if you have a capacity for 87,000 bonus units, you're saying we're going to get 37200. >> The bonus units are not the affordable units. The bonus units, the extra units you get -- >> Casar: Some chunk of that -- >> Some chunk comes out. The bonus units are raw capacity as well. >> Casar: Got it. So you've got a raw capacity of 87,000 bonus units and we anticipate about 7200 of those would be affordable, compared to the current code of 1500. >> Correct. And so the numbers in black are capacity numbers. The numbers in blue are forecasted numbers, you can say. Those are numbers that are forecasted based on the prior ten years' performance of your existing bonus programs. >> Casar: But then what you're saying is that's the forecast -- that isn't the forecast for draft three. You're saying that's the forecast for draft three, based on old code. >> That is the forecast for your existing bonus programs, which if we go back, your existing bonus programs are not changing in codenext, for the most part. >> Casar: Understood. I'm just saying I think if you have a forecast for the old code, not having the forecast for the new winning also lends to confusion when we're trying to figure out, okay, what's the bottom line of -- >> Sure. It's why we tried not to add 6,000 and 1200 to say that this was the future capacity because that 1200 number is based on history, and the -- >> It's actually a forecast. >> -- 6,000 number is based on capacity analysis of the proposed code. >> Casar: I'll stop badgering y'all about this, but just as much apples to apples as we can get in these charts, the easier it is no us to make did I see. Decisions.councilmemberal a lot. >> Alter: I just want to clarify, the forward units are captured in the bonus units, or are they above and beyond the bonus units? >> Let's use a number.

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>> Alter: The bonus capacity of 87,000, does that include the 6,000 or is the 6,000 on top of that. >> It is inclusive of. So the 6,000 is a sub set of the total bonus unit capacity. Some portion of the bonus would be required to be affordable. >> Alter: Okay. And then I was hoping that the consultants could provide us a comparative prospective from other cities in terms of density bonuses and how many units get achieved through -- you know, as we're trying to understand whether this 6,000 number, plus the forecast for capacity, plus the 1200 forecast, if that's in the ballpark of other cities or not, do you have a sense of how this has been used successfully elsewhere, what that magnitude sunshine. Magnitude mightbe? >> This is not unusual. Oftentimes there are overstated capacity numbers based on requirements that will never be fulfilled, and in those cases the capacity numbers can be larger, but in terms of production, this is in line with what you would anticipate being produced from programs across the country. >> Alter: Okay. Is there a way to kind of see that comparison? >> We could provide



information on that. >> Alter: That would be helpful, just as -- you know, I think a lot of folks are looking at these numbers very carefully, and I think that's a perspective that's just useful for us to have relative to other cities and what they've been able to achieve or what they're forecasting as well. Thank you. >> Caesar: All right. We'll keep moving. >> So just to, again, Ian Carlton with optics on the codenext process. I wanted to review some materials that were previously presented to give us a baseline understanding with what's going on with the codenext programs. This first slide outlines where the existtion bonuses

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are located in the city of Austin and, while hard to read, they're distinguished by color here on the map. And you can see that the current code covers approximately 5,600 acres of the city's land area. Then when we layer on what's being proposed within codenext, you can see that a much broader swath of the city's geography would fall under bonus options within codenext. Those are indicated here in black. And so that's a total of 30,000 acres in d3. These bonuses come in different forms. There are certain Zones that offer height bonuses. Other Zones that offer unit bonuses. The ability to put more units in the same building. And still more that would allow larger buildings to be built called bulk bonuses. These -- you can see the maps vary, and this is based on where different Zones are mapped to parcels across the city, and that's based on the d3 proposed zoning map. Now, when you look at where these bonuses are offered today, we're looking at about 1400 of those 5600 acres, or about 25% of the acreage is located in areas that have been identified by the tier 1 opportunity index as high or very high opportunity. In d3, the proposal increases that to 15,000 acres, which is about roughly half of all the acreage where bonuses would be available, would fall within these high and very high opportunity areas as defined by the tier 1 opportunity index, which has historically been used by nhcd to define areas of

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opportunity in the city. So we'll pause, and then we'll go into a discussion of how we arrived at that. >> Caesar: Any questions on those slides? Councilmember kitchen. >> Kitchen: Just a basic one. The maps. Can we get the maps somewhere, or maybe they're already posted? Just so we can see in more detail. It's a little hard to see on the slight. >> Certainly, we can do that. >> Caesar: Councilmember alter, do you have something? >> Alter: I just wanted to reiterate a comment that I've made multiple times to the consultants when we're using the high opportunity index. This makes it look like there's red everywhere. We have the balcones canyon preserve, a good chunk of this area that's bright red and you can't build in it, and this really presents a misleading picture of where these opportunities are to potentially build, and so we need to find a way that, when we're presenting these opportunity indexes, so that we can really target where those opportunities are in reality that we're taking out things like parks and preserves and things, which are large swaths of this bright red area, because it doesn't help us to narrow in on the questions that are before us. >> Could I answer? This is -- these are census tract based data so they're polygons, but we have added introduction to all of our slides going forward that show the unbuildable

area taken out, and then show where the buildable land is before we get into the more abstract heat maps and thing like that. The problem is, this came from another -- another study that you had done, and it's based on census tracts, which are -- which are just polygons. But it would be difficult to map on top constraints on this, but I suppose we could do that. >> Casar: But I think as a follow-up -- >> As a general thing, we are going to show, in the future, constraints before we show heat maps. >> Casar: I think while it's useful to look at acreage and it definitely seems more

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fair if it's 50/50, I think the point that I think both councilmember alter's question is driving at and that I'm interested in is, if we -- what is the actual comparison of capacity of affordable housing, bonus, high opportunity, compared to non, you know. And are we -- there might be a lot of acreage, but if the acreage is covered in areas where we don't anticipate that people are going to take advantage of the density bonus program, then it's not as meaningful. >> So -- >> Casar: And if you don't have -- I'm not saying that -- >> We did that the last time we presented the -- the report card, and we do have the number of housing capacity in and out of the high -- the very high, high and moderate opportunity areas. It goes from -- not the density bonus capacity but just the overall capacity goes from 169 to 133,000. So it's about double in those areas. And I think the percentage of density bonuses are proportionate within that. We could calculate that, too. But we do have that on report card that we put out last time that we'd be glad to -- and it has that specific category called out in the report card. >> Casar: That would be helpful. The last point is, we did have somebody from Texas appleseed bring up that they noted there are medium high or very high opportunity areas without density programs. If we could just get some mapping -- you know, and it doesn't make sense at all places, but just for us to know, okay, where are medium, high, or very high opportunity areas where we currently have no density bonus program, just to help us out because that mht -- then obviously, we would take out parks and just figure out, really, where is it that -- that we could -- where we could better focus our efforts if we choose to

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affirmatively further housing more extensively in any area. >> Alter: I just want to note if we are including the acreage for the things that we can't build on, then the percentages would be higher. >> Casar: That's right. >> Alter: In those areas. And I wanted to correct or clarify -- it's my understanding that we do have bonus programs below the r4, in that those are in the rr area and there's a lot of those in my district that we do have a bonus program that is part of this that is below r4 in terms of the zoning level. Is that correct? >> It is r1. >> Alter: Yeah. >> Affordable Adu would be an opportunity on those sites, yes, in d3. >> Casar: And I would ask that you take a look at -- you know, we have had historically an affordable Adu that's in our code, that gives you lots of flexibility, and my understanding from housing is that's pretty much never utilized. And so I would be interested maybe in some follow-up about whether or not you think that that would be utilized. So councilmember Flannigan. >> Flannigan:

So when I flip through these maps, are there just the three types, too, unit, and bulk? Or are there other types? >> Those are the buckets of types, yes. That's all. >> Flannigan: All right. I will reiterate councilmember kitchen's request for detail in the map because I'm seeing areas on the combined map that aren't present on the other three submaps, so I see areas that are noted as a new bonus area on the combined map that aren't of the three buckets. >> I see what you're saying. There's one in r1 which we could have put into the unit bonus, an additional unit on a site, that does not fall into any of those three maps

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that you see there. It would be a separate map. So we can add that map to the ones that we provide you. >> Flannigan: So as I look at this map, just at this high level, I would like to see a lot more areas included as possible bonus, but I think it goes back to kind of this ongoing question for us, is what is the council's lever to pull, to make those things happen. I don't imagine us, parcel by parcel, making amendments to the code. So helping us understand -- if I look at this map and I see areas that I think -- even in my own district, that really are more opportunity or underutilized areas and they're distant from whatever the thing is, how do we operationalize our input into dialing up some of these numbers. >> Casar: You're predicting later in the presentation, I think. >> Hey, hey! >> Casar: Any other questions here before we move on? Okay. Thank you. >> Great. So I'm just going to venture into how the affordable housing bonus program -- this is the citywide program, was generated. And we'll start at the top with what inputs went into the policy. We started with market data from national and local sources. These are data that go into figuring out whether or not a developer would be interested in developing a bonus within a given zone, located in a given part of the city. We took those data spatially into meetings with developers and other stakeholders where we talked about how they would be used and whether they needed to be corrected. We added data from new sources, including local sources that are used by developers here in Austin. We also looked back to prior reports and analyses to understand what the methods could be, and where we would go with this analysis.

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We then, over the course of several meetings, gathered policy feedback, particularly after d1 came out in the first proposal was put forward how the policy was constructed, and we have revised policies in a number of ways based on feedback over the course of this past year. The process started with base entitlements for each zone. Those were provided by the codenext team, and they were based on where these Zones were going to be located, and what the zoning correspondence would be with existing zoning. We took in those base Zones and proposed entitlements on top of those base entitlements, so a developer is granted a certain amount of, you know, dwelling units per acre or far, and we looked at what could be increased to make an attractive bonus where that bonus could provide for affordability. Hcd weighed in heavily on this process and promoted bonuses in as many of the Zones as possible, and we had quite a bit of back and forth on whether bonuses would be feasible or appropriate in a given

zone, based on where it was going to be located in the city. We went through a process of considering all the factors and coming up with a final set of base and bonus entitlements that we then ran through basically a test to see if they would work, made revisions, and we had nhcd provide us with policy principles, and we'll go over some of those, that guided how we went about making the policy attractive to developers so that they would deliver affordable units, and the affordable units, making sure that those met the needs of the affordable housing

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blueprint. So to implement this program, program rules will be created, and nhcd has proposed those initial administrative guidelines, and those are available on the codenext website. They're in your packet as well. Those -- the idea is that those would be adopted and updated through a rule-making process, including public input. And you can see on the slide here the link to go to the site for those administrative procedures for implementing what is in the code. So you have to think of this as sort of the guidelines are found in the code, and then the implementation of that is found in a set of administrative guidelines. So these two go hand in hand, together, to create the full program picture that you would need to understand how a developer would go through the process, determine what amount of bonus they would pursue, and what level of affordability they would have to provide, et cetera. So one of the critical things that we were doing from an economic standpoint is determining how much it would cost a developer. What was the economic impact to a developer of providing an affordable unit in different parts of Austin. And you can see here in this table that the economic impact of providing an affordable unit varies across Austin, and that is because a market rate unit varies in price or in cost across Austin, but the affordability target real estate constant across Austin. And so at the top of this table, you can see the approximate value of providing a market rate, two-bedroom unit for a developer. This is the value of that unit. And then you can look at, if that unit became affordable,

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at the rates prescribed by the affordable housing blueprint, what would that unit then be worth to the developer. And these affordable units, because they're being rented for significantly less than market units in many cases, would be worth less. And the difference is in the white bar here at the bottom of this table. So 330 is the value in central Austin of a two-bedroom apartment. An affordable apartment at the targeted income levels is worth zero dollars, so the differential would be \$330,000. So this is, hopefully, familiar to you because this is the notion of going to a developer and buying down the rents for 40 years in a market rate unit to make that unit affordable. And we typically would call it the buy-down. And I know that you've gone through a process where you have actually bought down rents, and these are in line with the experience that nhcd has in pursuing these opportunities. >> Alter: Can I just ask you to explain the zero there? Because we're going to get a lot of questions about why it's worth zero. >> Sure. So when you look at the value of something in this context, we're looking at sort of the revenues, minus the costs, and when you look at a central Austin apartment and a central Austin

apartment building and you look at the revenues minus the costs, the revenues being restricted by these affordability requirements, the costs being commensurate with the units that are in the building, the amenities that are in the building, the other property taxes and other factors that go into operating and owning a property, the revenues minus the costs yields zero value. In some cases, this number can go negative, and a unit

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that is affordable is a negative value to a developer. It becomes a cost. >> Casar: So, for example, if we put 50% Ami as the restriction on a central Austin apartment, then the revenues would be less than the costs. >> The revenues would be less than the costs, and essentially what you would see here is this number, which is currently set at a 60% Ami target for rental would go Nevada maybe it negative. maybe it would be tens of thousands of dollars in the red. >> Alter: Why is there such a difference between a condo and apartment? >> Condos and apartments are in a different, sort of -- they may occur next-door to one another, but the prices are different, the valuations are different, and in central Austin, you have market rate condominiums selling for very high per-square-foot prices. And the affordable unit price that's set, both by hud and nhcd, based on this 80% Ami, is significantly less than what you could sell those market rate units for. So it's really -- when you say the number is large there at the bottom, it's that differential between that very high market rate for-sale number, and the fixed value across all of Austin, at which you could sell a unit to a homeowner. Does not answer your question fully? >> Alter: Not exactly. I'll have to think that through. >> We could -- okay. >> Will it's a different Ami. >> Casar: Yeah. I think we could probably pick it up later, but I think in summary, essentially what you're telling us is that people -- because it would be 80% Ami, you could sell it for more money, but because central Austin condos are going for so much, the gap is actually even bigger for sale. >> Exactly. >> The opportunity cost -- >> Exactly. If you made that number a

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target of 120% Ami or 150 percent of Ami, the number of 140,000 would go up and the differential between the market and the affordable unit, the differential would go down. And that's exactly what you have in, for example, your downtown density bonus program, where the target affordability levels are higher. And that allows the differential between your market rate units and the affordable units to be smaller than what I'm showing you here. >> Casar: And we are -- I think I was ambitious thinking we'd be out at 11:30, so with everybody's help, maybe we'll get this done by 11:40 or 11:45, but we'll keep on going. >> All right. >> Casar: Okay. >> So we're going to do a little bit more math here. So borrowing from the prior slide, this top line describes how much an affordable unit buy-down would be. How much money it would take to go from the market rate unit to the affordable unit. And so we use that number to figure out how many affordable units could you accommodate in a given building. So we have to compare that -- that cost of buying down the unit to how much value is being created by the other market rate units that the developer is building in the bonus. So the developer is getting to build bonus

units that are market rate, and at the same time being required to build a few of them that are affordable. Now, when they build these market rate units, each of those produces a certain incremental value to the developer, and this is different from that price before. This is this value that's created after subtracting revenues from costs. And the value being created by each market rate unit -- let's go to the central Austin column here -- is about \$35,000. So what that means is, you would need nine to ten of these units to offset the

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cost of that one affordable unit. So we would call this the cross-subsidy, the internal cross-subsidy within the bonus. You're giving the developer these bonus units that are market rate, and you're asking them to deliver some affordable units. So you need to offer them about nine or ten market rate units for every one affordable unit you require. And at that point, if you were to do that, you would be saying that 11% of the units in the bonus would be affordable. But we encounter a problem here. Because at that level, if we were to require 11% of the units to be affordable, at that level, we're basically saying that the developer has an equal chance, or they are incentivized to either build the base or the bonus. There's no difference to them in terms of the upside that they're seeing. And that would not necessarily lead them to deliver the bonus. So let's say that we wanted to make sure that the developer always took the option of providing the bonus and delivering the affordable units. We might reduce that requirement to 5%, so, in other words, give them 18 units of market rate for every one unit of affordable. And so the bottom line there is that the public requirement for affordable units in this example here would be 5% in central, the central Austin apartment complex, 5% of the bonus units would be affordable, 95% of the bonus units would be market rate, and at that rate, one would expect the developer would choose to build the bonus units and deliver the affordable housing, versus deliver a base building with -- without any bonus market or affordable units. I'll pause there because I'm sure there will be questions. >> Casar: And just to clarify your very last line, when you say percentage of bonus units, oftentimes we're talking about percentage of total building, but here you're

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talking about percentage of somewhere else? Bonus? >> Yes. If we were to convert this into percentage of the total building, that would be something, you know, in the realm of maybe 1% or 2% of the total building. We prefer to make this much more legible for the developers, so that they understand exactly what their requirements are. If you were to set the requirement at 2% of the total building, the problem that you face -- or let's say you set it at 5% of the total building. The problem you face there is that if the developer wanted to build one additional bonus unit, or two or three additional bonus units, they would suddenly be required to build affordable units in all those base units as well. And at that point they may choose not to build the base building, either. So we are trying to set our incentives to the bonus because that's where the value is being generated for the builders. >> Casar: Got it. Any other questions here? We can talk about it at the end to see if we want to extend the meeting a little bit beyond the initial

framework. >> Sure. So I think we're done with math. So this gets us to the heart of it. Now, when a developer is sitting there making their choices about whether to build the base or the bonus, the affordable housing bonus program has a provision where they could choose to pay for an affordable unit off site, for example, they could pay a fee so that they don't about would the unit on site, and the calibration principle that was used to come up with these fees is that very notion, that if a developer doesn't build the unit on site, they would, instead, be able to pay the city of Austin as much money as it costs for the city of Austin to go out and procure an affordable unit in central Austin. And so these numbers here represent the option that developers have to go and

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pay for providing affordable units instead of building them. And when we developed the policy, we were very aware of the differences in the market. The dynamics here in Austin are such that in central Austin, you have very high rents and prices, and outer Austin -- for the most part, but not -- not always -- you have lower prices than in central Austin. And so what we have done here is provided a calibration by census tract, reflecting the market in each census tract. And so if you go to the -- the codenext website, if you go to the administrative documents provided by nhcd, what you'll find are links to maps that show you, for every zone, how much -- how many affordable units, what percentage of your bonus, would be required to be affordable in various parts of Austin. If this were not the case, if there was a one size fits all policy, for example, you just had something very simple, like 10% across the entire city, you would have some places where you could have asked for more, and you will have some places where 10% is so much that developers would never deliver the bonus. And so this is a way of avoiding either asking for too little or for asking for too much in various parts of Austin, and for different Zones. So we'll stop there and cover your questions. >> Casar: That's an important question. So go. >> Alter: One of the things I've been struggling with in understanding these bonuses is the base entitlements and how they interact with the bonus program. It's my understanding you took the base entitlements as they were given, and then put the density bonus on top and looked at different ways

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of doing the density bonus, based on entitlements presented to you in draft three. Is that correct? >> In all the drafts, drafts one, two, and three, the base entitlements -- we could have someone come up and answer this directly, but the base entitlements relate to what the entitlements are on the ground today, where those Zones will be mapped, and so going with lower base entitlements was our restriction. We had to stick with the base entitlements as they were produced. >> Alter: But there are areas of our city that are getting upzoned through this process and have more entitlements than they do in their base. And what I'm trying to -- is the interaction between what they're given as their base and the density bonuses, and that's what I would like some help thinking through, so that there are points in time when you have to switch construction, depending on how much your entitlement is. There are things that really do get impacted, depending on where you fall in that. So maybe you can help me. >> Greg

Guernsey, planning and zoning. I don't want to take a lot of time, but there are probably not as many areas that have been upzoned as you think, as there have been maybe right-zoned, where we've added different uses to different districts, or that we have added mixed use. And I think there's a little segment that we're about to get to where properties that have been mixed use in draft three, where there weren't allowed any residential, they've been given a special designation, those properties already had entitlements. They may have been gr-mu, that density bonus has been added not top of that, and that's where we talk about the additional bonus areas being a percentage above

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where you might get the additional height or you might get those additional units. I think you'll see if we get to the next section, it goes in a little bit more detail about affordable units, but we didn't wholesale upzoned properties throughout the city. >> Alter: I'm not talking about you doing throughout the city, but there are places where there's upzoning from what you have now. >> Yeah. >> Alter: In those areas, I'm trying to understand, those are some of the areas that we're targeting for these bonuses, and there is an interaction between that base zoning and the density bonus, if the goal is to get more affordable housing, that's what I'm -- I'm trying to understand that interaction, and there are places in the city that were upzoned. And so I'm trying to understand that interaction with the density bonus. >> Okay. And I guess depending on what you might say is upzoned, some may have different uses, some may have different heights, and it kind of depends on how you're speaking to that upzone. >> Alter: But if they are upzoned to a point where they're at six stories, I guess, which is where the construction type has to shift, and then you're talking about giving them a height bonus, you'll never get that height bonus because you have to shift the construction type. That's what -- I'm trying to understand how all those different pieces interact. >> Certainly, the base and the bonus entitlements, you know, have a profound impact on the feasibility of the bonus. So the base is set at a construction break point, then the bonus would actually make your building more expensive, then you wouldn't want to deliver the bonus. But I'm not aware of circumstances where the -- you mention six stories. Do you have an example of -- >> Casar: I think before we get too into the weeds on this, I think there's a baseline question, which is, in your analysis of whether or not the bonuses are being

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taken advantage of, did you look -- I think councilmember alter's point is well taken and we all acknowledge that depending on where the buys is setting, it's going to affect the bonus. But the question is, did y'all take into account, when you were analyzing this -- my assumption is that you did -- different construction types when you when you got to different heights and different types of buildings. >> Absolutely. We took into account the different construction types and different building forms that could be built under the base entitlements, then we took into account what the different forms and construction types would be under the bonus entitlements. And we looked at the differential between those two. So we looked at, you know, what value was being created between the optimal



base and the optimal bonus. And we certainly took into account when a construction type change might happen, and we looked at ways to provide bonuses that weren't necessarily just a height bonus. Maybe there's a height bonus and dwelling unit per acre bonus in the same zone, for example, when there might have been a case of a narrow height bonus, let's call it, a very small height bonus, where we needed perhaps to offer more. And so we've tried to insert those bonuses wherever we could, at nhcd's direction, trying to find the bonuses that work the best across all Zones, without -- without basically forcing the base zoning -- base entitlements to impinge on any property owner's rights. This is the way I would put it. >> Casar: Councilmember Flannigan. >> Flannigan: So in addition to base entitlements, there's also changes in the rest of the text, like lowered trip elements which may impact the ability for a project to go from four to eight units, because the site plan I think now is required at six, and are those types of limiting factors also considered in this analysis? >> To a great extent, yes,

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there's -- there was a lot of work done to understand what the base entitlements would be under codenext and what the bonus entitlements would be under codenext, and what the implications of a base building would be versus a bonus building. So there's other factors including parking requirements -- >> Flannigan: Yeah. >> -- That we took into account at both the base and the bonus, but always under this future state, proposed state where draft three would be implemented. >> Flannigan: Okay. I think we can probably spend a lot of time thinking about all the ways, it's very difficult to build under a density program, which my instinct is to broaden as much as I can, because I think there's going to be a longer list of things that stop a density bonus from being used than ones that will encourage a density bonus from being used. I think the point that you made earlier about the different areas -- there's so much in this I want to dig into. Unfortunately, I think I'm going to have to leave in about five minutes, but, you know, if the requirement of the number of units is set too high, then you only get affordable units in the outer areas, and if the fee in lieu is set too high, then you only get affordable units in the central areas, and finding that balance with this mapping tool is a really interesting process. And I really want to dig into it to make sure that we're getting as many affordable units as we possibly can for the community. >> Casar: And so since we are so short on time, I think that going to -- which sort of the scenario testing, as far as how we can get more affordable units, makes sense. I think everybody should -- it's taken me some time to go through all the administrative procedures how you calibrated them by geography, which I think is very interesting. It's -- you know, there are some areas of the city where you're talking about 15, 20, 30% of bonus units set aside, which is, you know, exciting. I think in the areas of the city where you're talking about less than 10% of the

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bonus units being set aside, I think I am interested in ways that we get -- if there are other tools or things we can do to make sure that we're getting to at least 10%, everywhere we can. But, yeah, I think since we're short on time, I think this is probably the -- one of the most council had of involved sections.

So just the levers that would actually change affordability, affordable housing unit numbers would be I think what we're kind of interested in getting to. >> So this was done with the working group. Basically the idea was, you take a discreet policy and you use the equivalence map, you turn it on and see what happens, and eventually build scenarios out of it. They're crude. They're just -- you just turn on everything within a quarter mile or half mile or an eighth of a mile of a corridor, for example. They're not refined -- and these were a number -- this is actually an analysis of draft three relative to the scenarios the planning commission put together. To skip to the part you're interested in -- >> Casar: We're interested in all of them, it's just -- >> Pardon me? >> Casar: We're definitely interested in all of them, but today -- >> But you want to go to -- here's an example of a simple one, mixed use and commercial Zones, we get a number out of that. That was fairly substantial. And you go through all of these, these are land use policies that either limit redevelopment or add capacity in each of these areas. I'm sorry I'm going through fast, but I know you want to get to the part -- >> Alter: Just a basic question, these are relative to draft three, if you moved another level -- lever, or are these -- >> So this is relative to equivalence maps. >> Alter: Equivalent map, okay. >> So there's a version of the current code that has no change from current policy. Draft three is actually implementing some policies. So I went right by this, and

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why don't we start with this one. Or you want to start with the next one? >> Next one. >> Okay. >> So in several of these cases, we were exploring the opportunity in the mixed use Zones to change what was in draft two, and what you'll see now reflected in draft three, where, in the mixed use Zones, they were often applied to locations that were either formerly commercial Zones where residential was not allowed, or partial Zones vmu. And in those cases, we explored what would happen if you lowered the entitlements, the base entitlements -- this goes back to your earlier comment about the impact of the base entitlements -- lower the base entitlements, to what they are today in the current code, and so coming out of this exploration are two things you find in draft three. The first is that on commercial properties today, they have been mapped with mixed use Zones with a dash a after them. That dash a means that there is no base residential entitlement. It's set to zero. You have base commercial entitlement, but your base residential entitlement is zero, in every housing unit that you want to build is a bonus unit. And you'll have to provide that percentage of affordable units based on that whole building, residential building. So this is very much like your current vmu program. The other thing we explored was better matching the base entitlements, residential entitlements that were offered, to parcels that have vmu today. Matching those to the current base entitlements that vmu parcels have today, and vmu parcels today have some residential entitlements, and so we tried to bring those as close to parity as possible.

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And what the analysis shows is a large number of affordable units in this exploration that John -- John's team did, could be attributable to these changes. The dash a and that right-sizing the vmu, base entitlements, contributed quite a few more affordable units. >> And this study was done contemporaneously with the evolution of draft three, and I think these made it into draft three. >> They did. >> So these are actually implemented, one of the ideas that are implemented in draft three. >> Casar: Wait, sorry. You're saying P 16 is, O P 15 is? >> P 15. >> Casar: So tell me why, on that very first slide that we standpoint on at the beginning of this when we went to the bottom line that said there's capacity for 7,200 -- or 6,000 bonus units, if this thing is saying 14,000, why -- back to my -- >> Yeah. At the time the calibration of the affordable unit program hadn't been completed, and so we were using basically the old draft two affordable bonus program. And so this is a capacity number, and we now have a much better capacity number in draft three, a much more accurate capacity number, based on our geographical abrasion of the policy. I think you'll remember in draft two, we had only two geographies in the policy. Inner Austin and outer Austin. In draft three, the affordable bonus policy now is based on census tracts. >> I think what he's saying, his forecast now is more conservative. >> And realistic. >> And realistic. I think this was really done very quickly using the tools that we had at the time. >> Casar: I understand, but you made this -- I understand that you were drafting different things, but you made this powerpoint all at the same time, so what I'm trying to just understand, if there's any conflicts between what we saw on on page 8, and what we're seeing on this page. On page 8 of this whole

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presentation, draft three, your bonus affordable unit capacity is 6,000, and then here you've got a 14,000 number, and you're saying this is in draft three. So I'm just trying to understand what I'm missing. >> Yes. The conflict is that these scenarios and the work done with the working groups with based on d2. Now we're working with d3. So the first part of the presentation, we're showing you d3, but we wanted to come back to this because a lot of conversation has and around these scenarios. I think what's important here is more about this relative change, how much do you get for these different levers, as John described them. And as you pull different levers, do you get more or less. This was one of the largest levers that could be pulled. It got one of the largest numbers of affordable units, and that's why it made it into draft three, at the urging of the P.C. Working group and others. >> I think the analysis was different and more conservative and more realistic. That's the major difference -- >> For db. >> -- You get out of this, going from 14,000 to 6,000. I think the concern is that we'd rather underestimate and have you pleasantly surprised than overestimate and have you disappointed again. >> Casar: Okay. Councilmember alter. >> Alter: But we're still, when we look at these things that are noted P, this is relative to an equivalency map, not the same thing as draft 3, and some of these have been implemented in draft three, and some haven't, and these numbers can be off by thousands when we're looking at the levers. >> This was done before -- >> Alter: I just -- I understand when it was done. I just don't want to propagate confusion through the community that they think that, you know, if we move this lever, we're going to get 15,000 and, well, we did that, but then we had 7,000 -- and I don't know how many times that's repeated throughout there. So I just want to have some clarity on what we're

looking at. This still may be a very useful tool, but it is important for us to understand the limitations of the tool as well, because somebody might go and say, okay, well, now this justifies moving this lever.

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Well, if there are other things that interact with it and you don't act -- those numbers are things that we have to question before we move those levers, then we need to know that. >> Right. >> Alter: And I think that's what councilmember Casar's question helped did you do. Casar's helps us on. >> I think the capacity numbers are pretty close. >> Alter: That's going to be true on most of the affordable unit numbers here. >> Yes. >> Alter: Okay. But not necessarily the total units? Or -- >> Total units changed between d2 and d3 as well. >> Alter: Okay. Thank you. >> Casar: Councilmember kitchen. >> Kitchen: Would it be possible, on page 33, you've got the list -- you've got the lists of the different policies. >> Yes. >> Kitchen: Would it be possible for you guys to come back later and tell us which ones these policies are incorporated, either in whole or in part in version 3? >> Yes. We have that, actually. >> Kitchen: Do you have that somewhere? >> Right here, this -- >> Kitchen: Oh, you do have that. >> 31, it shows you the degree. So I mean, we're showing it as on or off. They're actually in more of a volume than on or off. >> Kitchen: Okay. >> It shows you in draft three which policies were incorporated to what level. >> Kitchen: What page is that? >> 31. >> Kitchen: Page 31. I see it. Got you. Thank you. >> And another point of clarification on this is that we wanted to highlight the fact that we called these priorities, these levers, priorities, because there sometimes is not a policy that corresponds to this priority. So we investigated, you know, whether a priority would be meaningful, and sometimes we did that without any clear understanding of what policy lever you, as council, could even enact to make that happen. So this is an example, priority 8, there's not a clear policy for her accomplishing this goal at this time, in the city of Austin, but if a policy did

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exist, we did want to work with the P.C. Working group to answer their question to know how big of an impact could it be. >> Simply stated, we just modeled the outcome without knowing how we do it. And if we like the outcome, we go back and figure out how to do it, if we could. So these are just outcomes that are modeled, then you back in to say I like that how come, how do we get there, and you figure out a more refined way of implementing it. >> Casar: I mean, what you're saying is that by not adding additional capacity on old multifamily, of course that doesn't guarantee the preservation of existing multifamily, but at the same time, I think it is accurate that it could limit -- >> The planning commission actually liked this one. The one that was -- we couldn't figure out how to do was the one on single-family, how to prevent single-family redevelopment, and it was scattered all over and it was very difficult, and they said I'd like to do it. It was only about 2900 units. But we couldn't figure out how you'd have that granular of policy around the city. So there's some of these that -- but again, this exercise -- I think it was really useful -- was, look at a bunch of different outcomes and go back and build a scenario out of which a planning commission is doing, as we speak. >> Casar: Okay. Well, I think that we've gone

over how much time I promised everybody here, and so if there's any last word, we can do that. But it looks like we still probably at some point will just have to have a conversation with the whole council on the other levers related to housing, on S.M.A.R.T. Housing, and on the -- how the vmu program was and wasn't translated. Councilmember kitchen. >> Kitchen: I am finding the concept of the levers in the priority list to be helpful. Very helpful, actually, in terms of thinking about the different -- different movements we can make, you know, to get different results. So -- but it does take a lot of thinking. So my thought is that -- and I don't know if this is

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planned. I think we need some more work session time with the council as a whole. That would just be my initial thinking, so that people really understand what these levers are. So -- so I would just -- >> Casar: I think we reinvoke them. The mayor's laptop is with us. His name is on it. >> Just say that the planning commission should have another draft or scenario that uses the levers, and I think it would be great -- it would be very useful to see what they do and how it differs from draft three and what those -- those will be updated and more accurate than what you saw in the experimental stuff we have here. >> Kitchen: Okay. >> And that should be in a period of a week or two. >> Kitchen: Okay. >> Casar: And I think just some take-aways for me from this presentation were, one, I think if we could get a map of -- on that fair housing issue that we discussed earlier. Second, sort of thank y'all for the very detailed numbers and math on making the bonuses be more attractive than not be participating in the bonus. I think it would be interesting to see if there are places where we are requiring less than 10% and what it would require for us to make sure that doing 10% is attractive and remains more attractive than not doing the bonus. And we didn't get to S.M.A.R.T. Housing or nhcd's recommendations between draft two and three. I am interested in what we need to do to make S.M.A.R.T. Housing works and it sounds like there's still a gap there. And what options we might have in r2 and r3 Zones to potentially, in some areas, determine if we wanted bonus there or not, and what would actually work there. So those are sort of some of my take-aways, other than great work on so much, so far. Thank you guys. >> Thank you. >> Casar: Is there any objection to closing out the

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meeting? None? Okay. Thank y'all very much. We're adjourned.